

# Trade Invest Monthly

## Hawaii's International Business Network

### HAWAII NOTICES

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#### Hawaii Exporters Can Save with the New Export Law

"Hawaii exporters can increase their competitive edge by taking advantage of the extraterritorial income exclusion (EIE) tax benefit," was the conclusion of Alan Yee of *Grant Thornton LLP* in an article in the June 15, 2001, issue of *Pacific Business News*. "Under the new law, companies may exclude 15 percent to 30 percent of export sales income from U.S. taxation."

According to article the EIE tax benefit is available to any U.S. taxpayer that "exports property manufactured or produced in the United States. Business qualifying for benefits include U.S. manufacturers and producers and U.S. wholesalers and distributors of goods manufactured or produced by others in the United States."

The EIE tax benefit allows Hawaii exporters more flexibility to adjust pricing on their products, thereby becoming more competitive with foreign competitors as well as other U.S. competitors who take advantage of the EIE tax benefit.

Mr. Yee recommends that businesses should consult with a tax expert for more details should they want to take advantage of the EIE law.

*Back issues of the PBN can be referenced in the DBEDT Library and in the DBEDT Product Trade Branch.*

#### "Profiting from Air Cargo"

"Profiting from Air Cargo" is the theme of this year's 2001 Hawaii International Air Cargo Symposium, September 20-21, 2001, at the Ala Moana Hotel, Honolulu. The event promises to have two days packed with presentations from experts in the industry and trade exhibits as well. Call the UH Conference Center for more information. Tel: 956-8204 Fax: 956-3364



#### INTERNET / E-COMMERCE OPPORTUNITIES IN S.E. ASIA

The U.S. & Foreign Commercial Service issued a report that assessed the opportunities in internet and e-commerce in South East Asia. As many companies entering this market have discovered, this part of Asia has yet to realize its full potential in internet commerce.

As most of Southeast Asia recovers from the recent economic crisis, many view e-commerce as an opportunity to grow their business with many opportunities for U.S. information technology (IT) companies. The economic crisis is viewed by some industry observers as a "blessing in disguise" because it forced local companies to reorganize to become more efficient and productive. Companies are adapting these web-based technologies in hopes to reap greater profit in the future. Singapore, Malaysia along with Thailand and the Philippines are the regional leaders in the development of the Internet and e-Commerce markets. Political and economic problems have slowed development in Indonesia and Vietnam, but these countries hold promise in the longer term.

According to the Singapore Office of the U.S. based International Data Corporation (IDC), e-

Commerce in Southeast Asia will experience significant growth in the next year and beyond. New Asian e-commerce companies will emerge to get a foothold in the market. Presently, the U.S. dominates the e-Commerce software markets in Asia. Vendors include: *Broad Vision, Open Market, InterShop, Ariba, Oracle, Netscape, and Sterling Commerce*. The IDC predicts that Internet commerce revenues for ASEAN countries will rise to US\$251 million in 1999, and reach US\$8.63 billion by 2003.

Assessments are given for Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, in the following areas:

- Penetration/Sales Of PC's And Hardware
- Telecommunications Infrastructure  
Mobile Phone Market
- Internet  
Internet Education  
Internet Banking  
E-Commerce  
Government Involvement/Legal Framework  
Intellectual Property Rights Enforcement  
Business To Business E-Commerce (B2B)

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## Worldwide Market Reports

Due to the large number of requests for reports, we have made the request process easier to better serve you. Complete the request form at the end of the newsletter and Fax to (808) 587-3388, or send an Email message to: [tradeinvest@dbedt.hawaii.gov](mailto:tradeinvest@dbedt.hawaii.gov). **The report service offered is reserved for Hawaii companies only.**

If you are outside of Hawaii and are interested in the reports highlighted in our newsletters, please go to the United States Department of Commerce website, [www.stat-usa.com](http://www.stat-usa.com). You will have the choice of ordering the reports you need for a small fee or you can subscribe to their service for an annual fee and have unlimited access to all reports and services

### Japan – Study Abroad Market

The U.S. & Foreign Commercial Service reports on the opportunities in the Japanese study abroad market.

The overall Japanese study abroad market is changing, and Hawaii organizations should consider the following key points:

- In 2000, over 193,000 Japanese studied abroad. This is an increase of 6,952 people (3.7%) from 1999.
- The U.S. is the top destination for Japanese people studying abroad – 45% of them studied in the U.S. in 2000.
- In the international students sub-sector, Japan (46,872 students) ranked second to China (54,466) in the world's total of international student based on country of origin during 1999-2000.
- There is an increasing trend of elderly Japanese studying abroad. With Japan's aging society, the elderly in this "silver" market have both the time and money to seek new adventures. They are looking for more extracurricular activities and cultural experiences. One noticeable preference of Japan's "silver" market is the desire to share the program with "silver" travelers from other countries.
- U.S. educational institutions that wish to attract more students from Japan should be aware of the different school year period between the U.S. and Japan. The Japanese school year starts in April and ends in March. Schools also have different vacation periods and vacation lengths.
- The highest percentage of Japanese who studied abroad in 1998 were abroad for a duration of stay of six to 10 days (36.1%), followed by five days or less (23%).
- While the U.S. is still the top destination of Japanese traveling abroad, there is increased competition from other countries, namely the U.K., Canada, and China. Canada is especially targeting the Japanese "silver" market, and the U.S. seems behind in targeting this market.
- For Japanese students enrolled in a Japanese university, due to the difference in the school year, it is difficult for them to study abroad for one year and still graduate in four years. Japanese colleges require four years of attendance. Transfer of credits is not a common practice and is only approved in rare cases. As a result, most college students who study abroad

choose a shorter study abroad program which they attend during their vacation period.

For a copy of the report, send the request form by Fax: (808) 587-3388 or email: [tradeinvest@dbedt.hawaii.gov](mailto:tradeinvest@dbedt.hawaii.gov).

### Singapore – Edible Nuts Market

For Hawaii nut manufacturers and suppliers, the U.S. Department of Agriculture recently published a report on Singapore's edible nut market.

Although Singapore's overall population (3.3 million) is relatively small compared to other Asian countries, it is an important Asian market for the following reasons:

1. It is one of the most affluent nations in Asia with a GDP per capita income of about US \$22,000.
2. The market is younger – 22% of the populations are aged 15 years or younger. These consumers will be the future drivers of imported food and beverages.
3. 76% of the population are in the middle to upper income group of consumers, the consumers who represent the bulk of the market for imported food and beverage products.
4. Singapore is recognized as Southeast Asia's main distribution hub. In 1999, US \$1.39 billion of food and beverages were re-exported from Singapore to other parts of the world. 30% were shipped to ASEAN countries – mainly to Malaysia.

Hawaii nut manufacturers and suppliers should note the following regarding Singapore's edible nut market:

- The Singapore nut market is supplied solely by imports.
- The market size is about US\$51.4 million in imports. Main imported products are peanuts (54% of total import value). Other edible nuts are almonds, hazelnuts, sunflower seeds, walnuts, pistachios, and macadamia nuts. The re-export market was about US \$17.7 million, with 75% for peanuts.
- The U.S. is the leading supplier for almonds (91%), hazelnuts (61%) and pistachios (91%).
- The major edible nut competitors are India, China, and Malaysia.
- Edible nuts have been long established in the market. Most of the edible nuts are packed and processed as snack products.

- Peanuts are the most popular edible nut for most Singaporeans. The local brands are very strong.
- For macadamia and other edible nuts, the trade sources comment that some of the growth is expected in baked products containing nuts. However, baked products containing nuts are a small niche market.
- As other edible nuts such as pistachio and macadamia nuts are not traditional snack items and are more expensive than peanuts, they are not popular snacks. These edible nuts are consumed in small quantities and on an irregular basis.
- Edible nuts are facing strong competition

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### Net Profits & Prophets

#### "It's all about 5G"

What drives today's Asian youth and the market for products and services are frankly, much more hedonistic than business. 5G will be what drives retail users to try and navigate the Internet. 5G refers not to the fifth generation of wireless Internet, but to the five kings of content for young Asians: Games, Gambling, Gossip, Goodies, and Girls (or Guys) Read more in the current issue of Asia Internet Report <http://www.asiainternetreport.com/current.html#3>.

#### Hong Kong: "A ParaJapan"

"For those of you in the U.S., be afraid - be very afraid... The Para Para is a group dance craze from Japan that has started to radiate outwards through Asia, and the world, through music and videogames..."

Read more in the current issue of Asia Internet Report <http://www.asiainternetreport.com/current.html#3>.

#### Japan - Popularity of Low-rise Jeans on the Rise

In a recent market report by the U.S. & Foreign Commercial Service, low rise jeans are a big hit in Japan.

According to a recent survey on jeans by an industry newspaper, over 40% of female consumers responded they have low rise jeans in their wardrobe. Interestingly, this trend has dramatically increased the sale of women's low rise panties, an unforeseen by-product of the necessity to hide underwear when wearing the newest jeans.

This trend is not confined to women, another industry newspaper reported that low rise jeans are becoming popular among young men. A noteworthy point regarding low rise jeans is that consumers, especially women, do not place a high value on brand name image.

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from alternative snack products such as potato chips.

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## Japan—E-Commerce, Books, & Music CDs

The Japan External Trade Organization (JETRO) provides a Japanese market overview of two product sectors in which Hawaii has carved a niche – books and music CDs. This report focuses on the sales and marketing of books and music CD's via the Internet.

As mentioned in the June 2001 issue of *Trade Invest Monthly*, sales generated through the Internet have grown rapidly in the past few years. The Ministry of Posts and Communications reported that there were 27.06 million Internet users in Japan at the end of March 2000. Furthermore, in 1999, the Internet Association of Japan reported that 33.2% of the Internet users in Japan had purchased something online.

Books and magazines were the third largest product category purchased over the Internet with 23.6%, behind computer-related hardware products (26.9%) and computer-related software products (26.3%).

The key points in the book and music CD sales over the Internet in Japan are as

follows:

- Books and music CD's are suited for Internet sales because:
- A distribution system already exists,
- Products are easy to convert to digital form,
- There are a wide variety of books and music CDs that sell in small quantities, and
- Search functions for book and music CD titles are easily utilized on the Internet.

There have been changes in how books are ordered and delivered in Japan. *Tohan Corporation*, a large sales agent, tied up with *Seven-Eleven Japan Co. Ltd.* and *Softbank Corporation* to create a service called "e-Shopping Books." Through this service, customers ordered books through the Internet and picked up their order at a nearby *Seven-Eleven* store. Other book publishers have picked up on this idea – *Sanseido Co. Ltd.*, a large publisher, teamed up with *East Japan Railway Company (JR East)*, and similarly, created a service where books ordered through their system could be picked up at convenience stores inside the *JR East* railway station in the greater Tokyo area

As a result of these changes in the book market, bookstore, kiosk, and bookstand sales are dropping, while Co-op and convenience stores are handling more books.

Large bookstores in Japan such as *Maruzen Co., Ltd.*, *Yaesu Book Center*, and *Kinokuniya* have started their own sales over the Internet as well.

For music CDs, it is expected that downloading music over the Internet will become more common than buying music CDs as it is simpler and more convenient.

There remain issues regarding the online transmission of music in digital data, as well as how artist copyrights and royalties will be handled.

Similar to the book sector, a large record company *HMV Japan K.K.* has teamed up with a large convenience store, *Lawson, Inc.*, to create a system in which customers can order CDs over the Internet and pick them up and pay for the CD at a nearby *Lawson* convenience store.

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## TRADE LEADS

### Hong Kong – Department Store

*Seeks Cosmetics, Gifts & Lifestyle-related Products*

The U.S. & Foreign Commercial Service in Hong Kong reports that the Hong Kong *Seibu Department Store* has expressed an interest in American supplies of cosmetics, gifts and lifestyle-related products.

In 1990, *Seibu of Japan* opened its first store in Hong Kong, and in 1996, they sold a majority stake to the *Dickson Group*, a distributor and retailer of European and American fashion wear. There are two Hong Kong *Seibu* outlets, and they are both located in Hong Kong's prime retail area. In the gifts section, more than 50% of the products are of U.S. origin. In the clothing section, over 80% of the products are purchased directly from overseas supplier. *Seibu* is also a frequent participant at U.S. cosmetics, gifts and clothing trade events.

American suppliers interested in selling their products to Hong Kong *Seibu* may contact Mary Yan, Merchandising Division Manager. Please also copy your response to Swee-keng Cheong, American Consulate General, Hong Kong. Contact details are as follows:

*Mary Yan*

*Merchandising Division Manager*

Hong Kong *Seibu Enterprise Co., Ltd.*

21<sup>st</sup> Floor, Manulife Tower

169 Electric Road

North Point, Hong Kong

Tel: 852-2971-3291; Fax: 852-2865-0937;

E-mail: [mary\\_yan@seibu.com.hk](mailto:mary_yan@seibu.com.hk)

*Ms. Swee-keng Cheong*

*Commercial Specialist*

American Consulate General

U.S. & Foreign Commercial Service

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E-mail: [swee-keng.Cheong@mail.doc.gov](mailto:swee-keng.Cheong@mail.doc.gov)

## Trade Shows, Conferences, & Trade Missions

March 11-26, 2002

Business and Industry USA 2002 Multi-State Catalog Exhibition. Vietnam (March 11-12), Singapore (March 14-15), Australia (Melbourne March 18-19, Sydney March 21-22, Brisbane March 25-26, 2002). The program creates opportunities to meet and screen local buyers, distributors, representatives, and other potential customers. For more details, contact Nancy Hesser in Washington D.C. at Tel: (202) 482-4663.

April 9-12, 2002

Food Asia 2002. Singapore. Specialized events: FoodAsia, Wine & Spirits Asia, Hotel Asia, Bakery Asia, Services Tech Asia, Hospitality Style Asia, Salon Culinary. The show in year 2000 attracted 32,931 trade professionals from 93 countries as well as 2,462 exhibiting companies from 66 countries. Attendance to the 2002 show is expected to increase to over 36,000 industry buyers. Dedicated areas in the show for food, wine & spirits, fresh produce, foodservice equipment, hospitality interiors, and hospitality technology. Contact in the U.S. – Bob Chang, Commerce Tours International Inc., Tel: (415) 433-3072; Fax: (415) 433-2820; e-mail: [comtours@aol.com](mailto:comtours@aol.com)

April 24-27, 2002

Supply Chain and Logistics Expo. Beijing, China. With accession to the WTO pending, China must improve its supply chain and logistics systems and infrastructure in order to expand its economy and become more competitive in the world market. It is a business-to-business show covering the full supply chain spectrum – procurement, manufacturing, transportation, warehousing, distribution, automatic data capture/order fulfillment, material handling and e-commerce. 200 exhibitors from the U.S., Europe, and Asia, as well as over 4,000 buyers are anticipated. Trade show is managed by E.J. Krause & Associates, Inc. Contact in the U.S., is Mike Rosenberg in Bethesda, Maryland, Tel: (301) 493-5500; Fax: (301) 493-5705; e-mail: [rosenberg@ejkrause.com](mailto:rosenberg@ejkrause.com)

## S.E. Asia Internet Opportunities

(Continued from page 1)

- Opportunities For U.S. Companies  
Internet Access And Services  
Ancillary Products  
E-Commerce Solutions/Consulting
- Informational Websites And Resources
- Key Contacts
- Trade Promotions Opportunities

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## Japan—E-Commerce

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Music companies such as *Sony Music Entertainment* are also experimenting with music downloading through a technology that upholds copyrights.

These changes in the book and music CD sectors are changing the longstanding business practices within the industry – mainly in the commission sales system for books and copyright issues for music CDs.

Hawaii book and music CD producers should be aware of what Japanese consumers look for when buying online:

- 1) A good search engine.
- 2) Much information on the book or music CD.
- 3) Indication of whether a book or music CD is in stock.
- 4) Choice of delivery method and payment method.
- 5) Inexpensive shipping.
- 6) Immediate / Timely delivery.
- 7) Ability to track an order.

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## Vietnam Financing for U.S. Exporters

The U.S. & Foreign Commercial Service offers the following advice for U.S. exporters that want to package financing for their exports to Vietnam:

- ❖ Work with the local office of one of the foreign banks with representative offices or branches operating in Vietnam. These banks have experience in the Vietnamese market, and are better able to evaluate the financial risk in Vietnam.
- ❖ U.S. suppliers should request irrevocable letters of credit issued by a foreign bank branch licensed to operate in Vietnam, or a Vietnamese state owned or joint-stock bank. A correspondent bank should also confirm the letters of credit. Note: *banks outside Vietnam tend to be willing to confirm only the*

*four state-owned banks – Incombank, Vietcombank, Agriculture Bank BARD and BIDV. Also considered for trade financing in certain cases are the top joint-stock banks – ACB-Asia Commercial Bank, Maritime Bank, and Ex-Im Bank. It is recommended that U.S. companies contact their confirming bank before entering into a business contract or deal.*

- ❖ American banks represented in Vietnam include *American Express Bank, Bank of America, Chase Manhattan Bank, and Citibank.* All of the American banks offer trade financing services to U.S. companies.

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## Hawaii's International Network

### Former Head of Hawaii Export Assistance Center in Vietnam

Mr. Gregory Wong, former Director of the USDOC - Honolulu Export Assistance Center, is now the Commercial Attaché for the U.S. Commercial Service in Hanoi, Vietnam. He was originally sent to Malaysia and recently took this post in Vietnam as a promotion. He can be contacted at:

U.S. Commercial Service  
Rose Garden Tower, 6 Ngoc Khanh, Hanoi, Vietnam.  
Tel: (84-4) 831-4650  
Fax: (84-4) 831-4540  
E-mail: [Greg.Wong@mail.doc.gov](mailto:Greg.Wong@mail.doc.gov)

## Finland – Overseas Travel Market

The U.S. & Foreign Commercial Service in Helsinki reports that the travelers from Finland are showing more interest in alternative destinations, including Hawaii.

Although Finland has a relatively small population of slightly over 5 million and 2.2 million households, there has been an increased interest in foreign travel. Hawaii tourism-related companies may look for niche market opportunities to attract the Finnish tourist based on Finnish travel preferences:

- European destinations account for almost 80% of all leisure trip departures from Finland.
- The U.S. is the most popular long-haul destination with over 93,600 Finnish arrivals in 2000.
- First time travelers, families with children, and senior citizens favor Florida as a destination.
- Younger and more experienced Finnish

travelers favor the West Coast.

- Most important cities for Finnish business travel are New York, Chicago, Boston, Los Angeles, and Atlanta.
- Summer is the high season for both domestic and outbound travel – 40% of foreign travel takes place in June, July, and August.
- Finnish travelers favor “sun and sand” and city destinations. However, a trend is toward activity holidays incorporating local culture, golf, fishing, diving, sailing, and other activities. In this area, Finnish travelers have shown an interest in other destinations such as Alaska, Arizona, **Hawaii**, Nevada, and New Mexico.
- Tours to the West Coast are often combinations of various destinations such as Los Angeles-Las Vegas, and the Grand Canyon.
- The busiest season for long-haul travel is June through October. High season for travel to the U.S. is June to August. Low season to the U.S. is November to March. There is a short high season from Christmas to New Year.

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## Report Request Form

Trade Invest Monthly  
Hawaii's International Business Network

Company: \_\_\_\_\_

Contact person: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

Zipcode: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Email: \_\_\_\_\_

Report(s) requested:

- ☐ SE Asia - E-Commerce Opportunities
- ☐ Japan – Study Abroad Market
- ☐ Singapore - Edible Nuts Market
- ☐ Japan - E-Commerce
- ☐ Vietnam - Financing for US Exporters
- ☐ Finland - Overseas Travel Market

OTHER REPORTS (reference issue date): \_\_\_\_\_

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